



C O R P O R A T E F I N A N C E  
I N T E R N A T I O N A L

# **M&A Insights Germany Business Process Outsourcing & Temporary Employment Work**

**November 2019**



# Agenda

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# CFI Introduction

## CFI has a global presence



## League Tables H1 2019\*

EUROPE   H1 2019   UP TO mEUR 200				
Rank	Financial Advisor	# of Deals	Ranking 2018	Ranking 2017
1	Deloitte	147	4	4
2	PricewaterhouseCoopers	131	3	3
3	KPMG	130	1	1
4	Rothschild & Co	93	2	2
5	Ernst & Young LLP	76	6	7
12	Lazard	42	9	8
13	Grant Thornton	39	12	15
14	Lincoln International	36	15	14
15*	CFI	35	17	22
15	BDO	35	5	5
17	Bruce & Company Ltd	35	n.a.	n.a.

WORLDWIDE   H1 2019   UP TO mEUR 200				
Rank	Financial Advisor	# of Deals	Ranking 2018	Ranking 2017
1	Deloitte	224	8	5
2	PricewaterhouseCoopers	214	3	3
3	KPMG	206	1	1
4	Rothschild & Co	117	2	2
5	Ernst & Young LLP	105	5	8
17*	GCG	60	n.a.	n.a.
19	Goldman Sachs & Co	59	13	13
20	Daiwa Securities Group Inc	58	n.a.	n.a.
21*	CFI	54	17	35
21*	Piper Jaffray Cos	54	28	27
21*	Jefferies LLC	54	25	45

## Corporate Finance International

Corporate Finance International (CFI) is a trusted corporate finance lead advisor for the middle-market with profound expertise in cross-border M&A transactions with EUR 10m to EUR 500m in value in specific key industry sectors.

### Founded in 2006

The CFI group at present consists of 15 selected boutique investment firms worldwide, with offices and subsidiaries in 19 countries to ensure a global presence.

### Independent

All CFI partners are corporate finance advisory firms which operate independently to guarantee first-class advice and service.

### CFI stands out as an international M&A advisory group

- Deep relationships throughout the CFI organization provide clients with seamless senior banker execution globally
- CFI balances the high service and intimacy of boutique investment banks with the transaction expertise of larger advisory firms
- CFI offers high industry expertise on a global scale through cross-border key vertical teams

\*Source: Thomson Reuters

# CFI has 16 international sector teams

  
Aerospace & Defence

  
Automotive

  
Business Services

  
Chemicals

  
Consumer Brand & Retail

  
Energy, Environment & Natural Resources

  
Food & Beverages & Agribusiness

  
Healthcare & Life Sciences

  
Industrials

  
Machinery

  
Media & Telecom

  
Paper, Plastics & Packaging

  
Private Equity



  
Real Estate & Constructions




  
Software & IT Services



  
Transport & Logistics








## Recent CFI Business Services Deals in Germany




  
Your best partner.  
has been acquired by  
  
**HOUSE OF HR**  
HUMAN RESOURCEFULNESS

  
has been acquired by  
  
**HOUSE OF HR**  
HUMAN RESOURCEFULNESS

  
has been acquired by  
  
a holding company of  
**Triton**

**ZAQUENSIS**   
has been acquired by  
  
**HOUSE OF HR**  
HUMAN RESOURCEFULNESS

  
and Industrial Safety Belgium have been acquired by  

# Overview of the German Business Services Sector

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## CFI's understanding of Business Services

The CFI Group provides best-in-class merger & acquisition services and a long track record of transactions in the Business Services sector. The knowledge and transaction experiences spans the domains of Financial Services, Professional Services, Business Process Outsourcing (BPO), Facility Management and Temporary Employment / Staffing. This paper will focus on current developments, M&A trends and future prospects of **Temporary Employment / Staffing** and **Business Process Outsourcing**.

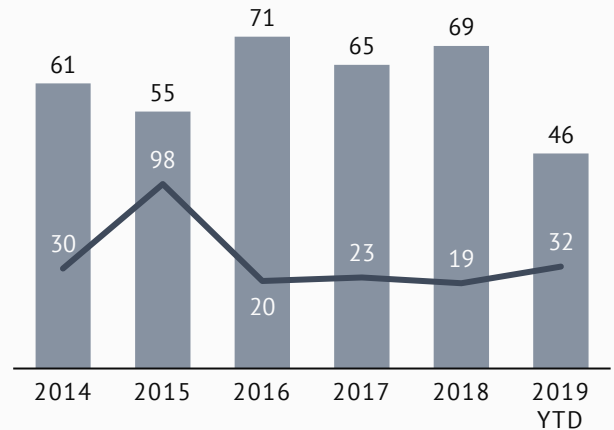
## Current development of the Business Services sector

- While levels of consolidation are varying in the different service sectors, the trend of increasing consolidation is clearly visible in all four sectors. This is partially driven by customers demanding one partner covering multiple services
- All sectors are influenced by the current uncertainties in the German industry. In particular, companies specialized in services linked to the automotive industry struggle due to market weaknesses
- Technological change heavily influences competitive landscapes and is the underlying reason for multiple deals, hence stimulates the deal intensity



## German M&A Insights: Deal Activity BPO & Staffing

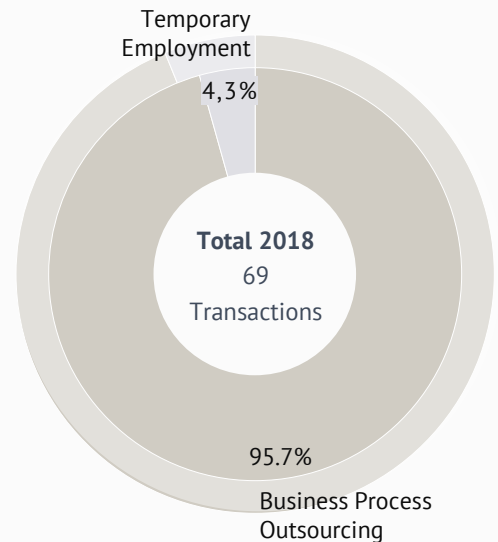
In recent years, deal activities in the two segments remained fairly stable, whereas the deal values varied in the past. A clear trend in deal activity as well as in deal value cannot be observed. In total, the median deal value amounts to mEUR 70 in the period from 2014-2019 YTD.



## Transactions by Segment (in %)

The distribution of transactions by sector remains relatively stable comparing 2018 with the year before. The deal activity on the other hand differs drastically between the sectors, which implies different maturity stages of the sectors.

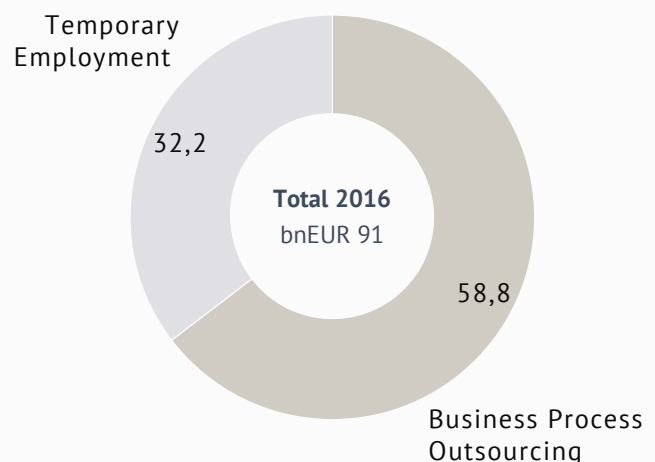
Strong M&A activities can be seen in the BPO market, which makes up for most transactions.



## Market Volume (in bnEUR)

The market volume of the two sectors, that are subject of this study summed up to bnEUR 91 in 2016.

Due to the current economic situation of their customers, the development of the Business Services segment could be slowed down, but is forecasted to grow long-lasting.



# Insights: BPO in Germany

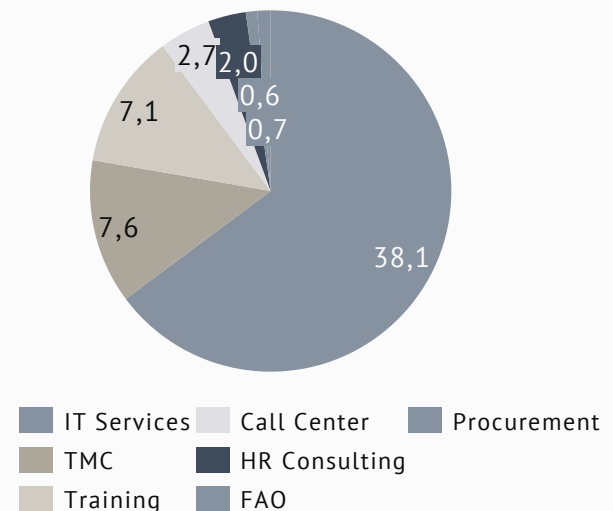
## Description

Business Process Outsourcing (BPO) is defined as the transfer of the management of certain tasks or business areas or processes from a company to external service providers that contribute specific expert knowledge. The processes that are most likely to be outsourced are IT Services, Travel Management Companies (TMC), Professional Training, Call Center Services, HR Consulting, Finance and Accounting Processes (FAO) as well as Procurement Processes. Manufacturers, banks and public institutions are the customers which are most likely to use BPO services. The market is not yet concentrated as the different services offered are very diverse.

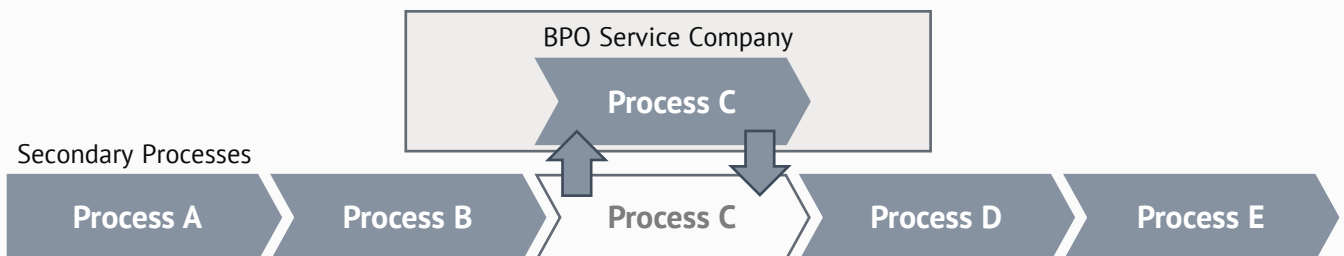
## Key Figures 2016\*

– Market Size:	bnEUR 58,8
– Average Market Growth:	aprox. 5%
– Share of Top 10 Companies:	6,0%
– Market Potential:	High growth
– Ø Fixed Asset Ratio (Top 10):	2,6%

## Market Volume 2016 (bnEUR)



## Business Model



## Trends in the segment

- This sector is currently still very fragmented, due to several factors
- More BPO providers offer their services in addition to their core business as market entry barriers are low
- Sophisticated software solution impose a threat to established BPO providers
- On the contrary, digitalization offers new opportunities as processes can be outsourced more easily

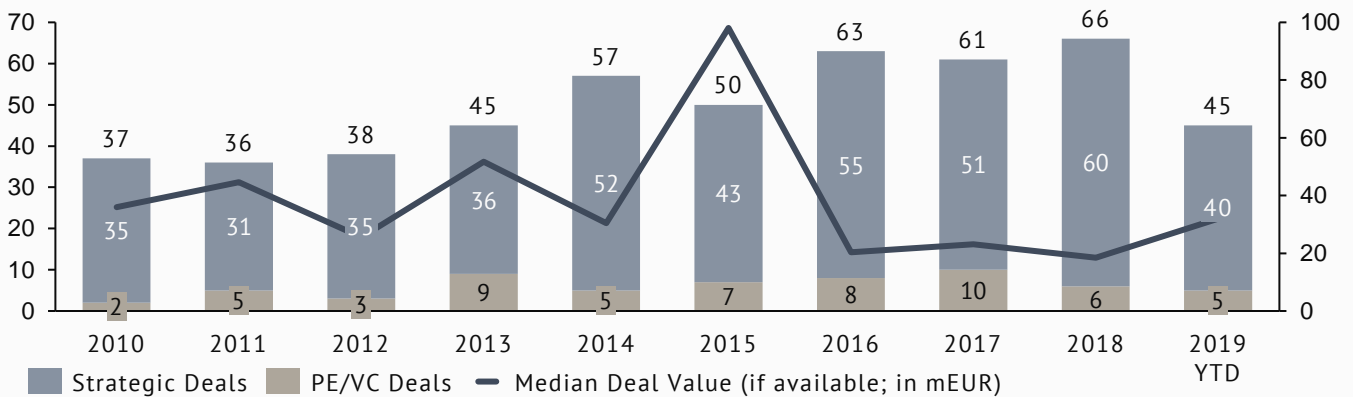
\* More recent information in submarkets not available  
 Source: Statista, Lünendonk, ADV, DRV, GTAI, Schickler, bitcom, CFI Research  
 Assumption: bitcom uses the itSMF definition of IT Services

# Insights: BPO in Germany

## Recent Deal Highlights

Target	Sales (mEUR)	Buyer	Sales (mEUR)	Deal Value (mEUR)	Profession	Rationale
Novosco Group Limited	64	Cancom SE	1.384,6	80	IT-Services Strategic	Expand and strengthen business
ISS Consulting (Thailand) Ltd.	-	itelligence AG	926,6	7	IT-Services Strategic	Unlock and realize the value of overseas investment
Skillshare, Inc	15*	Union Square Ventures	-	24	Training VC-Investor	Financial Investment
taskforce - Management on Demand AG	-	Resources Connection Inc	163	6	HR-Consulting Strategic	Diversify business in the German market
Donat Group GmbH	17	Data Respons ASA	1.340	9	IT-Services Strategic	Strengthen market position in Germany

## Development M&A Intensity



## M&A-Development

Most deals in this sector are not executed by PE funds but from 2013 onwards there was an increase in PE investments in this market. Many deals are cross-border deals. Most transactions have been completed in the IT Service sector as IT Services gained a more important role over the years.

## Strategic Deal Rationale

- Diversification of product portfolio
- Increase of market power
- Generation of synergies

## What happens next?

- There is still a high volatility in deals, concerning deal value and deal rationale
- Leading to decreasing costs, BPO can be advantageous in times of recession as well as in booming phases, which makes it attractive for investors at almost any time
- The IT Service sector accounts for most deals, a trend which is likely to continue over the next years as the importance of IT Services will further increase
- Cross-border deals in the IT sector might further increase due to the possibility to work almost everywhere

\* estimated

Source: Mergermarket, CapitalIQ, CFI Research



# Insights: Temporary Employment Work in Germany

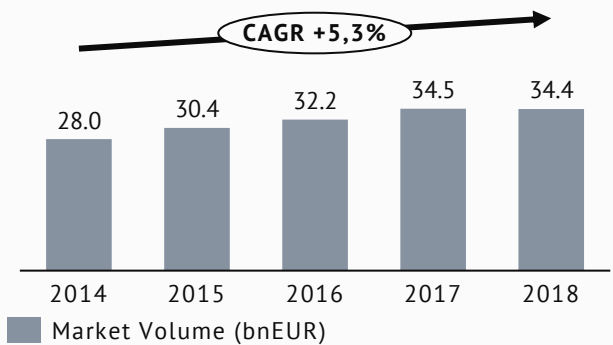
## Description

Temporary employment is described as an arrangement in which a personnel service provider transfers its employees to a so-called leasing firm (client company) for a limited duration. It is characterized by its triangular relationship between the hirer, the employee and its client company. Usually companies which offer temporary employment additionally provide recruitment, human resource management or e.g. payroll accounting services. Clients benefit from flexibility, less fixed costs and the possibility of recruiting suitable employees.

## Key Figures 2018

– Market Size:	bnEUR 34,4
– Average Market Growth:	5,3%
– Share of Top 10 Companies:	23,8%
– Market Potential:	Uncertain
– Ø Fixed Asset Ratio (Top 25):	2,9%

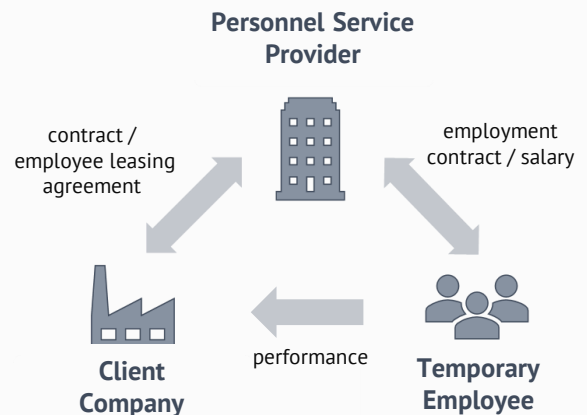
## Market Development



## Current Developments

Recently, the temporary employment sector experienced a downturn. The top 3 companies in Germany (Randstad, Adecco and Manpower) lost between 18% and 30% in revenues in Q2 2019 compared to Q2 2018. Sales decreased due to the general economic development in Germany and the recession of the automotive industry which especially depressed demand for engineers and production workers. In addition, this development is reinforced by the German government because latest legislation had a negative impact on the attractiveness to use temporary employment.

## Business Model



## Trends in the segment

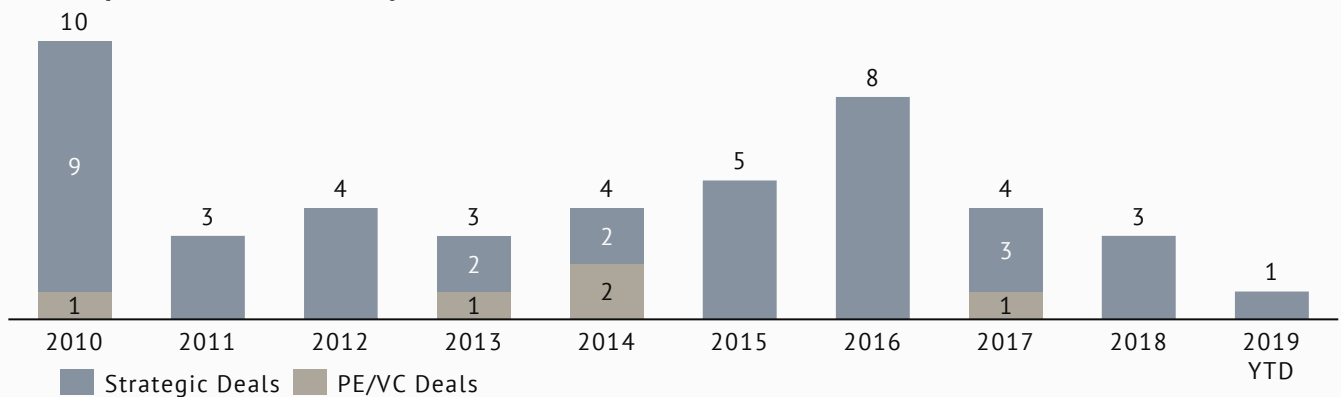
- Increasing demand for highly-qualified staff, especially for temporary workers in the logistics and medical sector due to the good economic situation in wholesale, retail and online trade and the demand for qualified nursing staff for the ageing population
- Digitalization offers further potential for flexibility and cost savings
- Consolidation of a still fragmented industry

# Insights: Temporary Employment Work in Germany

## Recent Deal Highlights

Target	Sales (mEUR)	Buyer	Sales (mEUR)	Deal Value (mEUR)	Segment	Rationale
expertum Holding GmbH	68,6	ASAP HR Group N.V.	145*	Undisclosed	Strategic Investment	Establishment of an international presence; growth platform
LOGworks GmbH	80*	Adecco Germany Holding SA & Co. KG	1.564,8	Undisclosed	Strategic Investment	Strategic partnership to strengthen position in the growing logistics segment
GVO Personal GmbH	30*	persona service Verwaltungs AG & Co. KG	849,8	Undisclosed	Strategic Investment	Strategic partnership to offer a comprehensive range of services to its customers; growth oriented
myra GmbH & Co. KG	25*	Antonio Invest N.V.	-	Undisclosed	Private Equity	Strategic partnership which to implement planned expansion strategy
Gess & Partner GmbH	71,7	JR Holding AG (now TRIA Holding)	150*	Undisclosed	Strategic Investment	Strategic development / growth aiming to become market leader for skilled temporary employment

## Development M&A Intensity



## M&A-Development

Despite a relatively high market volume of more than EUR 34 billion in 2019 and its significant potential for consolidation, transaction activity in this area is quite low with only three closed transactions in the previous year. The market has shown a stable growth rate of 7,5% within the past five years, yet the market did not attract many private equity or strategic investors.

## Strategic Deal Rationale

- Strengthen market position
- Extension of service portfolio
- (Regional) market coverage

## What happens next?

- Currently the disruptive developments within the main industry sectors in Germany lead to uncertainties for investors
- However, there is still demand for temporary employment industry services, particularly in terms of flexibility
- Especially in times of economic recovery the demand for temporary employment increases rapidly
- The logistics and medical sectors within the temporary employment industry are stable and will continue to grow

\* estimated

# CFI Business Services Experts

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